

# THE MONTANA BOARD OF HOUSING

## MULTIFAMILY PROGRAM

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### Montana Board of Housing Board Members *Appointed by the Governor*



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### MULTIFAMILY STAFF



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## Board of Housing

- Issue Tax Exempt Bonds to purchase mortgages (secondary mkt)
- Operate other Federally funded programs – i.e. LIHTC
- No use of tax money to operate

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## THE LOW INCOME TAX CREDIT PROGRAM

- An equity enhancing program for rental housing
- Created within Section 42 of the Internal Revenue Code
- Administered by each state's housing finance agency
- Each state receives \$1.75 per capita annually in tax credits to allocate to projects, inflated starting in 2003 (small states receive minimum \$2,275,000 in 2007)
- Eligibility is based on tenant income

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## Tax Credits

- Montana receives approximately \$2,275,000 in annual credits per year plus a cost of living.
- An allocation can be taken each year for a 10 year period
- Credit taken as a reduction in participants tax liability
- Credits can be sold to generate equity



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## Tax Credits

- Program can be used for
  - New Construction
  - Acquisition with Rehabilitation (at least \$5,000 / unit)
  - Rehabilitation (at least \$5,000 / unit)
- Eligible Activities
  - Residential rental buildings available to general public
  - Housing for families, special needs tenants, single room occupancy and elderly
  - Urban, rural and suburban
- Ineligible Activities
  - 4 units or less occupied by owner or relative
  - Retirement homes with significant services
  - Nursing Homes or Life Care
  - Dormitories or Trailer Parks

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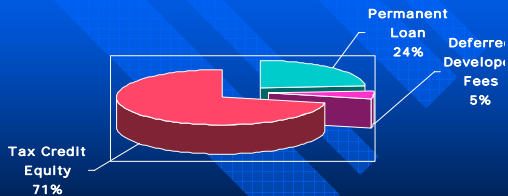
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## Straight Tax Credit Projects




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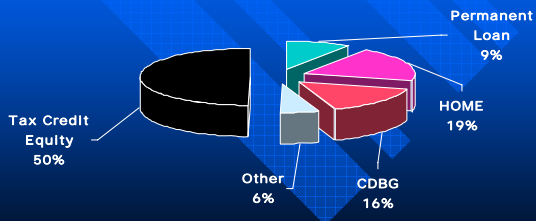
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## Tax Credit Projects with CDBG & HOME Funding




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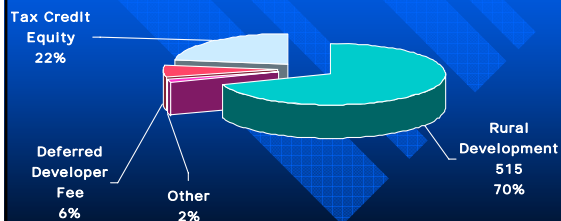
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## Tax Credit Projects with RD 515 Funding



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## Structure

- Limited Partnership Structure
- Sale of most of a project's tax credits and tax losses provide capital for development
- Passive limited partner invests equity in return for 99.99% ownership and use of credits
- General Partner owns 0.01% and operates the project

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## Tax Credits

- States have allocation rounds
- Vary from state to state
- Montana:
  - First Round
    - Submission Date Beginning of February
    - Award is at April or May Board Meeting
  - Second Round (if Required)
    - Submission Date Beginning of May
    - Award is at July or August Board Meeting

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## Project Team

- Developer Team
  - Developer
  - General contractor
  - Architect
  - Attorney
  - Accountant
  - Property manager
  - Consultants
- Lenders
  - Construction lender
  - Permanent lender
  - Lender Attorney
- MBOH
- Syndicator
  - Underwriter
  - Fund manager
  - Attorney

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## Critical Elements of a Competitive Application

- Application received in Board's office before 5:00 P.M. on submission deadline date with fee payment
- All sections and required attachments are included
  - ✓ Uniform Application with sections A, B and C
  - ✓ Supplemental Application with Application Fee, Narrative, Sections A, B, and C, Signature, Exhibits
  - ✓ All required appendices (see required order of application checklist)
  - ✓ Market Study

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## Critical Elements (cont)

- Threshold Criteria
  - ✓ Site Control
  - ✓ Evidence of Proper Zoning (in process)
  - ✓ Sketch Plan of the site and building(s)
  - ✓ Preliminary Financing letter
  - ✓ Financially Sound
    - » reasonable financing terms
    - » reasonable costs
    - » reasonable expenses
    - » sufficient cash flow
    - » adequate market exists
    - » meets needs of community

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## Selection Criteria (Scoring – Up to 137 Points)

1. Extended Low Income Use (0-10 points)
2. Serves Lowest Income Tenants (0-22 points)
3. Project Location (0-7 points)
4. Housing Needs Consideration (0-4 points)
5. Project Characteristics (0-33 points) (Energy & Green Bldg)
6. Sponsor Characteristics (0-13 Points)
7. Readiness to Proceed (0-6 points)
8. Participation of Local Tax Exempt Organization (0-2 points)
9. Tenants with Special Housing Needs (0-10 points)
10. Use of Housing Providers Waiting Lists (0-8 points)
11. Preservation of Affordable Housing Projects (0-2 points)
12. Community Support (1-10 points)
13. Intermediary Costs (1-10 points)
14. Knowledge and Responsiveness (up to -20 points)

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## Application Process

Application received in MBOH office NLT on submission deadline date with application fee.

- Uniform application with sections A, B, and C
- Supplemental application with Narrative, Sections A, B, and C, Signatures and Exhibits, all required appendices (see order of application checklist)
  - Threshold criteria including
    - Site control
    - Evidence of Proper Zoning (in process)
    - Sketch Plan of Site
    - Primary Financing Letter
    - Financially Sound
- Market Study

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## Application Process

- Presented to Board
- Reservation
- Gross Rent Floor Election completed
- 10% Carryover (complete review and underwriting performed)
- 2 years to place project in service
- 8609 (complete review and underwriting performed)
- Compliance




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## New and Ongoing Issues

- First time applicants must complete one project to lease up before applying for additional credits
- Eventual Home Ownership with tax credits
- Costs continue to be a concern (we look for the best use of tax credit dollars)
- Best use of tax credits (percentage credits are paying for project in comparison to targeted population)
- 60% rents are market rate in some areas
- Green building and energy efficiency

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## Other Programs Available

- Risk Share Loans
- General Obligation Loans
- Revolving Loan Program
- Reverse Annuity Program

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## QUESTIONS?

[http://housing.mt.gov/Hous\\_BOH\\_MF.asp](http://housing.mt.gov/Hous_BOH_MF.asp)

(406) 841-2840  
1-800-761-6264

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